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PP RUEHAG RUEHBC RUEHDE RUEHKUK RUEHROV
DE RUEHLB #1248/01 2381525
ZNY CCCCC ZZH
P 251525Z AUG 08
FM AMEMBASSY BEIRUT
TO RUEHC/SECSTATE WASHDC PRIORITY 2844
INFO RUEHEE/ARAB LEAGUE COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUCNDT/USMISSION USUN NEW YORK 2780
RUEHNO/USMISSION USNATO 3020
RHMFISS/CDR USCENCOM MACDILL AFB FL
RHEHAAA/NSC WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 BEIRUT 001248

SIPDIS

DEPT FOR NEA/FO, NEA/ELA, EEB
ALSO FOR IO ACTING A/S HOOK AND PDAS WARLICK
USUN FOR KHALILZAD/WOLFF/SCHEDLBAUER
NSC FOR ABRAMS/SINGH/YERGER/MCDERMOTT

E.O. 12958: DECL: 08/22/2018
TAGS: [PREL](#) [PGOV](#) [ECON](#) [ETRD](#) [LE](#)
SUBJECT: LEBANON: PROGRESS TOWARDS WTO ACCESSION IS SLOW,
PROBLEMS REMAIN ON BILATERAL TRACK

Classified By: Charge William Grant for reasons 1.4 (b) and (d).

SUMMARY

1. (SBU) Almost nine years after its initial World Trade Organization (WTO) membership application, Lebanon is moving forward on the multilateral track of the accession process, and only minor issues remained after the last Working Party (WP) meeting in May 2007. However, problems remain on the bilateral track with the United States, particularly in terms of Lebanon's lack of progress on liberalizing trade in goods. The date of the next WP meeting has not yet been set; sources at the Ministry of Economy and Trade (MOET) expect it to take place before the end of 2008. Trade officials expressed intention to join, but there does not appear to be widespread political will to make this a priority issue (reftel). Given the short mandate of the new Lebanese government and focus on preparations for the 2009 parliamentary elections, we do not expect accession to take place during the current government's term. The current MEPI grant to the contractor helping the GOL with WTO accession, Booz Allen Hamilton, expires in December and embassy view is that there should be no more extensions to the contact based on the same workplan. End summary.

WTO MULTILATERAL NEGOTIATIONS
MOVING FORWARD...

2. (SBU) Despite the political stalemate in Lebanon over the past two years, the MOET has been moving forward with the WTO accession process. Lebanon applied for accession to the WTO in early 1999, and had its first Working Party (WP) meeting in Geneva in 2002. (At the Working Party, a group of WTO members negotiate multilaterally with the applying country; bilateral negotiations take place in parallel.) Though they have moved forward very slowly, the Lebanese have made significant progress on the multilateral track. In particular, the Lebanese have made progress in their direct negotiations with the WTO, with the help of USG-funded assistance programs and consultants who have written and filed the bulk of the documentation needed for accession over the last eight years. In other words, Lebanon has answered all questions from WP members and sent clarifications regarding its trading regime and legislation as requested, and has so far not received any additional requests for clarification from the WTO.

3. (SBU) Since 2000, through USAID and more recently through

MEPI, the USG has been financing a WTO accession project at the MOET, providing technical assistance and institutional capacity building to the GOL as it moves down the multilateral track toward WTO accession. A delegation from Booz Allen Hamilton (BAH), which has been contracted with running the project since 2003, met with Minister of Economy and Trade Mohammad Safadi on July 22 to provide an overview of upcoming projects, which include preparing a study on the impact of WTO accession in Lebanon, as well as a communication strategy to increase awareness and highlight the benefits of accession. In a separate meeting, emboffs from Pol/Econ, MEPI, and AID offices told BAH that the program would be re-competed for public bids if the GOL could demonstrate, concretely, a will and ability to move forward on accession now that there is a functioning cabinet and parliament.

¶4. (SBU) Advisor to Minister Safadi Lama Oueijan told us this month that the MOET held a video conference with USTR in June regarding WTO multilateral negotiations, which helped clarify pending issues related to trading rights. After the last WP meeting in May 2007 in Geneva, the head of the BAH WTO accession project noted that all pending issues on the multilateral track were &technical and solvable.⁸ Moreover, at the end of the meeting, WP members recommended that the final draft WP report be circulated among all WTO members for comments, a step that positions Lebanon to close the multilateral track during the next WP meeting. Oueijan recently noted that the next such meeting is expected before the end of the year. We will watch carefully to see if these targets are met.

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...WHILE PROBLEMS REMAIN ON THE
BILATERAL TRACK WITH THE U.S.

¶5. (SBU) Meanwhile, obstacles to accession remain on the bilateral track, through which each WTO member state set its own conditions on Lebanon's WTO accession. During the last WP meeting, bilateral negotiations on goods and services took place with the USG, EU, Australia, Japan, Cuba, Canada, and Taiwan. Contacts present at the meeting told us that the &toughest⁸ questions for Lebanon originated both from the U.S. and EU delegations. According to Oueijan, bilateral issues with the USG related to trade in goods and services were last handled through an exchange of letters sent by the GOL to USTR prior to May 2007. On the services offers, Lebanon met 70 percent of the U.S. request, Oueijan claimed, but noted that Lebanon has received additional requests from USTR and is currently working to address them. She expects Lebanon's response on services offers to be sent to USTR by October 2008.

¶6. (SBU) As for the goods offers, 60 percent of the U.S. requests have been met, she said. However, "the remaining 40 percent put a lot of pressure on industrialists and the agriculture sector, as well as strain the Treasury at a time when Lebanon is facing major debt restructuring problems," Oueijan said. Because of these budgetary problems, Lebanon cannot drop its customs duties below the currently applied tariff rates on the 40 percent remaining goods, she argued, while USTR is requesting zero tariffs.

COMMENT

¶7. (C) Lebanon's progress on WTO accession has been slow, largely due to the political impasse and security situation in recent years. However, with the current relative political stability and the parliament now back in session, the GOL has an opportunity to pass needed legislation, much of which has been waiting before a non-functioning parliament for the last two years. The recently ratified ministerial policy statement clearly specified Lebanon's WTO accession

as one of its economic priorities, although many question how much the cabinet will be able to achieve during its short term and with higher priority issues (security, the economy) demanding its attention. The current cabinet will be in place until the 2009 elections, expected to occur in May of next year.

18. (C) Embassy Beirut believes that the USG should tie future USG assistance on this issue to concrete progress by the GOL.

When the current MEPI grant to BAH expires in December, it will be time for the Embassy to re-examine the program and submit any new assistance Requests for Proposal for public competition. We believe that there should be no more automatic "bridge" extensions to the current contractor to continue the same workplan. End Comment.

GRANT